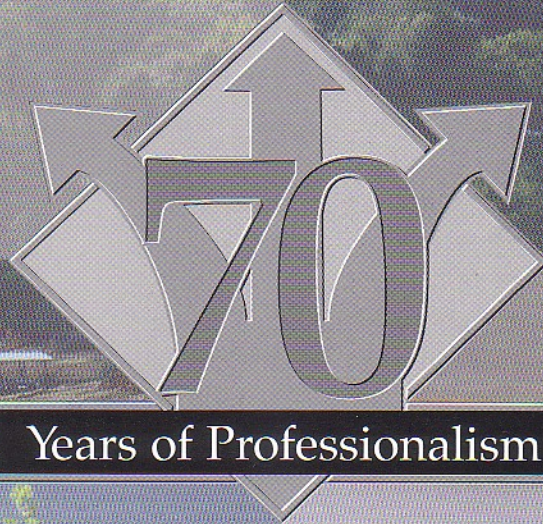
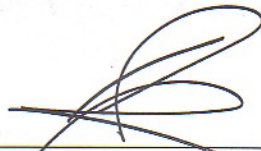


F O R E C A S T 98

*Native Intelligence*



INSURANCE - REAL ESTATE  
SINCE 1928



---

**Frank K. Norton, Jr.**  
President, The Norton Agency

## Change

**W**e are all aware of how easy it is to recognize trends in hindsight, but the real trick is to pinpoint trends when they begin, and to respond to them properly. For twelve years, The Norton Agency has monitored the pulse of activity in North Georgia, taken its temperature, reported on its health and prognosis. Like Faith Popcorn, the national trend prognosticator, our firm tries to identify trends that we see as important indicators for the area's long term future.

**Change is underway...**an undisputable fact. But we must keep in mind that change in most communities or industries is evolutionary, not revolutionary, and that business or government requires a foundation of basics in order to be poised to properly recognize and to capitalize on the movements afoot. We must keep our antennas finely tuned, our Indian ears close to the ground and our senses ever alert to the movements spreading across North Georgia.

This year, we continue to look at individual real estate products, but we recognize four broad trends which transcend political jurisdictions, real estate product types and time lines. Understanding these trends and how they affect our individual businesses will assure our success as this steam roller called **growth** covers our region. The major trends we have identified include:

**Labor Issues**  
**Affordable Housing**  
**Homogenization**  
**Sustainability**

Tomorrow's North Georgia depends upon how we meet these challenges and how we move through the millennium change.

## LABOR

**P**opulation is up...Jobs are up more. Job growth has out paced population growth over the century despite great changes in the types of jobs available. If any one

factor could kill our area's business expansion, it is a lack of labor. It is not just trainable labor, but all degrees of the workforce, that is in short supply. This past November, 42 out of 75 stores at North Point Mall were openly advertising for labor. The same holds true for Lakeshore Mall, retail in Buford, and North Georgia Outlet Mall. In the latter's instance, an absence of an employable work force could slow that center's expansion. Today, hourly wages for clerks have reached \$8.75 per hour, in some stores, a 35% increase in three years.

The shortage of labor also extends into the industrial and construction industries, as each group fights to hold on to its existing labor and at the same time capitalize on the expanding economy. This is a Metro Atlanta problem as well. A solution for expanding the labor force must be addressed and quickly, if we are to sustain our tax base.

## AFFORDABLE HOUSING

**T**oday's affordable housing is no longer just for the blue collar workers, it is for teachers, technicians, fire and policemen, and middle management. With increased land cost throughout North Georgia, there is increased pressure on developers and political leaders to deliver a socially acceptable housing solution.

**The \$70,000 stick built house is history in every county in the region, and the \$70,000 mobile home is coming into its own.** While no one has a positive attitude toward trailers, many consumers are not familiar with the significant improvements that distinguish today's manufactured home from its "trailer park" and "mobile home" predecessors of the 1960s and 70s. The modern manufactured home ranges from 700 to 4,000 square feet with a price less than site-built houses of similar size and quality.

The interiors of modern manufactured homes have all the amenities you would find in a conventional home — Jacuzzi tubs, skylights, walk-in closets, fireplaces, cathedral ceilings, ceramic tile, and intercom systems.

*(continued on page 2)*

# Overview

Kitchens are often equipped with island work stations. Where sheet paneling once dominated, more than 90 percent of today's manufactured homes have gypsum board. Additionally, on-site architectural additions, such as a two-car garage or an extended front foyer, can be added.

We see the immediate need for affordable housing in every Northeast Georgia County. The buying population demands it, the new industry we are trying to recruit **requires** it. But we must balance this need with realistic development standards and blend this product aesthetically into each community. Additionally, these structures must become real estate, not personal property, and thus taxed at a much higher rate.

Some recommendations include:

- Promote Mobile Home Subdivisions with strict architectural and design controls.
- Limit or prevent older mobile home relocations within and from without a county.
- Apply strict landscape requirements, paved driveways and parking areas.
- Encourage the industry to sell structures only, eliminating the furniture packages and focus on construction strength. This will stabilize resale prices.
- Require a finished surface on all permanent foundation work — stucco, brick, or rock and the removal of wheels, tongues.
- Specify that mobile home developments have major landscape entrances off main roads, that the first lots are set back 200' from the same road and each lot have a 50 to 60' setbacks from the facing street.
- Encourage stronger individual architectural design elements, increase roof pitches, porches, dormers, garages, and architectural details.

For North Georgia to continue its growth, employment, and lifestyle, we have to come to grips with mobile homes and take control of the development. A community not in-tune will have to deal with poor mobile home decisions for at least 40 years.

The other part of the affordable housing solution is apartments or multi-family. Housing for first time families and singles provides a strong labor recruitment incentive. **The anti-apartment posture of political leaders is a mistake.** If a community wants to expand its retail, industrial, or business tax base, then it must provide apartments for the hourly wage earners. Contrary to popular notion, our research shows that apartment units do not overburden a school system with children. In North Georgia, families with children move on to home rental or

home ownership. Children and school become factors only in low income or subsidized housing.

Some recommendations include:

- Cluster apartment zoned properties in specific regions of the county.
- Provide incentives to construct all levels of apartments, while insisting on high quality construction and appearance standards.
- Apply occupancy limits to low income or subsidized units.
- Increase the apartment densities to 12 to 20 units to the acre, helping the affordability.
- Require heavy landscaping, off street parking and extensive site lighting for security.

## HOMOGENIZATION

Drop yourself in a Wal-Mart parking lot anywhere in America and where are you? The same holds true for North Georgia's Wal-Marts...Dahlonega, Gainesville, Lawrenceville, Buford, Cornelia, Cumming; Businesses in America have become homogenized. Bland, corporate, devoid of character, of personality. The recent wave of North Georgia bank mergers and other business consolidations will have reverberating effects on the way North Georgia grows and on community decisions. The local voice is now lost.

North Georgia's largest business, Fieldale, is still in local private hands, but almost all of its local competitors are now gone. Sadly, the business mergers also mean a loss of a local perspective on business, on political issues and a lack of empathy toward local problems, much less the power or resources to correct those problems. Private enterprise in the community and entrepreneurship is on the wane. North Georgia's future is in the hands of outsiders or middle management.

We must garner the strength of remaining local businesses, narrow our focus on vital community issues, and retain the last vestiges of community identity. This must go beyond just saving the historical character. We must save the spirit and enthusiasm. North Georgia is at a crossroads. Not only are we facing the business changes, but Atlanta encroaches day-by-day. Within the next 20 years, both sides of Lake Lanier will house the Atlanta affluent. Will we end up a suburb of a suburb with very little control over our present, let alone our future?

The solutions are simple. North Georgia must develop enough of its ingredients to make us a stronger competitor and develop and refine a unique image that will differentiate us from the megalopic Metro Atlanta.

# Overview

## SUSTAINABILITY

While our firm is part of a vast growth industry, we recognize that **restraint** and **quality** are ingredients for a lasting civilization. The balance between quality of life and growth in North Georgia must be understood and appreciated. The Norton Agency does not believe in growth for growth's sake, we believe in stewardship...A good corporate citizen must put back into the community rather than simply take from it.

With the accelerated population growth of our region, we are facing a crisis of our time...of all time. We must meet the needs of this generation without depriving the needs of future generations. We cannot plunder the earth nor plunder North Georgia. There are civilized solutions which can provide sustainability while maintaining American entrepreneurship.

- Plan for lasting quality and permanence with every project, public or private, invest in oversized infrastructure to carry the area's needs for at least 50 years...Plan where practical, smaller lot sizes, to cluster housing; concentrating the development on smaller lots minimizes the impact on land and minimizes the delivery of government services...
- Encourage builders and developers to contribute to the community's infrastructure, sites for schools, libraries, fire stations, dumpsters, parks, or other community needs...
- Fully utilize setbacks, architectural elements, reasonable tree and sign ordinances, and landscape berms to shield necessary obnoxious business uses and promote environmental appreciation...
- Empower the county zoning boards with more authority, more legal assistance, and more planning education, take the politics out of rezoning and allow the commissioners time to govern, not zone...
- Implement or strengthen zoning laws in developing counties while requiring project master planning and planned unit development zoning...
- Reduce width requirements of residential streets, decreasing impervious areas, slowing the flow of traffic through neighborhoods...

## OPPORTUNITY INDEX

This year The Norton Agency introduces Norton's North Georgia Opportunity Index, an annual measure of growth, values, and investment potential. The firm's Research Division combines total real estate sales factors, unemployment rates, permits, retail sales, loan values, land prices, vacancies, and land potential for an index score. Counties with scores over 60 show the most promise.

## North Georgia Growth Index

	SCORE		SCORE
Banks	64	Jackson	74
Barrow	59	Lumpkin	68
Dawson	65	Rabun	48
Forsyth	70	Stephens	27
Gwinnett (N)	59	Towns	36
Habersham	60	Union	36
Hall	72	White	51

Based on these factors, we project that Forsyth, Hall, Jackson, Lumpkin, Banks, and Dawson counties have the highest potential for investment growth over the next three years.

## 1998 OPPORTUNITIES

The Norton Agency annually lists its "Best Bets," opportunities which we see across the broad North Georgia market place. While there is "no such thing as a sure thing," we believe the following fill specific market gaps and might provide the astute investor with better than average returns.

**LAND BANKING** — Purchasing raw land for sheer speculation regardless of the county under \$3,400 per acre...the buyer should purchase with **all cash** and prepare to hold for at least seven years to maximize their return.

**INVESTMENTS** — Provided they are **purchased right** and **cash flow** and opportunities in new income developments, but with the same cash flow parameters.

**NON TRADITIONAL RETAIL** — Small standing retail centers close to housing concentrations either anchored by a convenience store or not, should perform well over the next ten years in all growth markets.

**SMALL BAY INDUSTRIAL** — With front loading drive-in docks in 1200 to 1500 square foot bays and larger metal warehouse units with rental rates **\$3.00 per square foot or under**.

**QUALITY SUBDIVISIONS** in Banks, Habersham, and Lumpkin Counties, priced at \$90 to \$120,000 in value.

**MOBILE HOME NEIGHBORHOODS** — Quality master planned, fee simple, mobile home residential developments with tight architectural, site plan controls and high standards and in any counties of our region.

**LAKE LANIER SUBDIVISIONS** — Small in-fill developments with 20 to 40 lots and fair prices.

**CEMETERIES** — on the outer fringe of major growth, Hall, North Forsyth, Barrow, Jackson, and North Cherokee. With 50% of the population over 50 years old by 2009, death will be a booming business.

## ACREAGE AND LAND

The northern arc of Atlanta continues to radiate outward toward North Georgia. The demographic center of Atlanta has rapidly shifted over the last 30 years. First, Five Points, then Buckhead, and now Abernathy and GA 400. In the not too distant future it is certain to be Lake Lanier. Last year we introduced the concept of "concentric bands of acreage investment"...raw land price ranges, categorized in broad investment bands radiating outward from an epicenter called Atlanta. This hypothesis continues to hold true in 1997 and most likely beyond.

We inch toward Metro Atlanta day-by-day. The 2000 census most likely will include Dawson, Hall, Jackson and perhaps Lumpkin in Atlanta's monolithic SMSA and community identity and local control will be further diluted. The business bases of the Georgia 400 and I-85 corridors have an insatiable appetite for an affordable housing base. That base is found in these counties.

The potential of acreage and land investments is greater than any other product type. Actually, more money has been made from appreciated land values in the North Metro Atlanta and North Georgia region, than in any other product type. Major land barons and production farmers have reaped the harvest of the growth engine. **Dirt is still a good buy in North Georgia.** You have to work hard not to have a property appreciate in a ten year hold period. Farming is almost gone in Gwinnett, Forsyth, and Barrow and certainly on the decline in Hall, Dawson, and Cherokee. Grazing cattle on \$8,000 acre land doesn't fit an economic model.

While acreage and land will show continued appreciation, it is the land players, now in place, which will profit the highest. Prices in most counties are too high for new buyers to profit to the same degree. The keys for strategic acreage purchases are four fold:

- **Directions of Population Migration**
- **A Pro-Growth Political Attitude**

- **Availability of Utility Service**
- **Reasonable Topography for Eventual Development**

A classic example is Dawson County... strategically located on top of the South's largest concentration of wealth... Buckhead, Dunwoody, Roswell, and Alpharetta; bisected by GA 400, gently rolling farmland, topography, and abundant water resources combine to generate tremendous opportunity. Land selling prices in certain sections of GA 400 have gone from \$20,000 per acre to \$100,000 per acre in four years. Isolated tracts, at strategic intersections have sold for as much as \$400,000 per acre. The county is as hot as any county in Metro Atlanta and land owners will be on the front line.

Today's land investors must look for the catalytic growth centers, which will trigger rippling economic effects on the surrounding markets...Mall of Georgia, Hamilton Mill, Nacoochee, Brass Town Valley, Chestatee, Chateau Elan, The Pottery - Commerce, North Georgia Outlet Mall, just to name a few.

Land investments, however, are not all glitter and gold; there is a down side. A land investor must have strong intestinal fortitude to weather all cycles of growth and must purchase the property with all cash. Servicing debt on a non-income producing property has sunk many an investor. Changes in local political attitude towards growth, densities, road improvements or directions of utility lines can have severe impact on land investments. A smart strategy is playing what we call a "Rip Van Winkle"...buying land and going to sleep for 10-20 years, then positioning your property for sale or development. Many of North Georgia's land barons have done just that: With no over-riding motivation to sell, they benefit tremendously from their patience and the approaching herds. **LAND IS SMART! BUY RIGHT, AND BE PATIENT, YOU WILL NEVER OWN ENOUGH OF IT.**

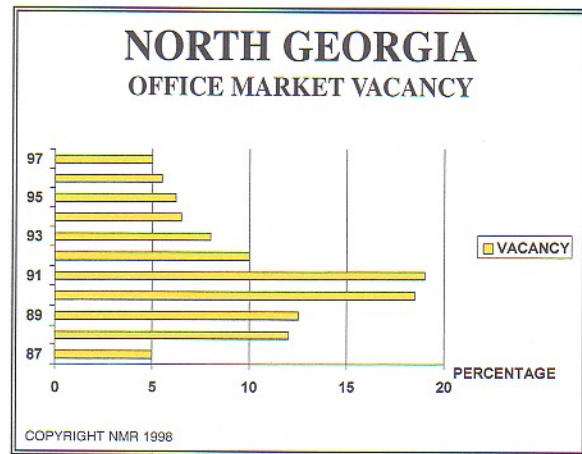
## OFFICE

While business and industry are transforming themselves into the Digital Economy, the effects on the office market have so far been negligible. There have been a number of high profile business consolidations and restructuring, which have placed substantial space on the open market. Yet, new business expansion and out of state relocations have back filled this space and more. Astute business watchers report that today's market technology has an 18 month life span... so watch out.

There also apparently exists a growing **phantom** office market in quality upper income subdivisions, like Chateau Elan, Hamilton Mill, and Four Seasons, as many entrepreneurs are calling home, HOME and calling it WORK as well. We see new homes with multiple phone lines, ISDN service, wired for computer networks, extra parking built for associates, separate office entrances, and satellite feeds. This cottage industry movement could affect some of the office market growth and is worth following over the next few years.

Atlanta rental rate sticker shock for office tenants is driving the office users to alternative space and office locations further out, closer to where the workers live. This sticker shock is also happening in Gainesville (the Wachovia building). There is a varying rental rate threshold which, once reached, the smaller tenant makes a decision to buy versus rent. Metro Atlanta office absorption for the first three quarters of 1997 was right at 3 million square feet of space...the North Fulton office market was 1.3 million of the total Metro number. This tidal wave is only now spilling over the Forsyth County line. At some not too distant future, we expect a major corporate office site purchase to be announced for North Forsyth or most likely Dawson County. The movement for corporate campus environments is further northward. The same phenomenon occurred in the late 1970s and early 80s, as corporations such as Seimans, AT&T, Digital and HBO purchased tracts for campuses in North Fulton.

Metropolitan Gainesville has the largest existing concentration of office space outside of Metro Atlanta, larger than that of Lawrenceville, Buford, Sugar Hill, Cumming or Canton. But this superiority designation will be short lived as the closer in towns feel the office market growth first. The Regions and Wachovia towers will most likely be the last giant office buildings built in Gainesville for awhile. The office market continues to expand, but the change in national banking has eliminated the big office users.



The opportunity for Gainesville perhaps is adaptive reuse of outdated structures into office conversions. Gainesville made its mark with the Green Street home conversions. Now, users are looking at garages, older retail, and downtown stores. There is great opportunity here, but will take time as the users are small, 2,000 to 4,000 square feet, and market sensitive to over supply.

## RETAIL

Retail continues to follow the ever growing rooftops throughout North Georgia. No community is immune to the commercial construction boom, everything from 1.7 million square foot Mall of Georgia to the corner drug store. The repositioning of drug stores and food stores throughout the region is well underway. Publix entry into Buford, Lawrenceville, and Oakwood is causing weaker chains to rethink their own strategies. Despite the housing growth, there is still only so much food discretionary income to go

*(continued on page 6)*

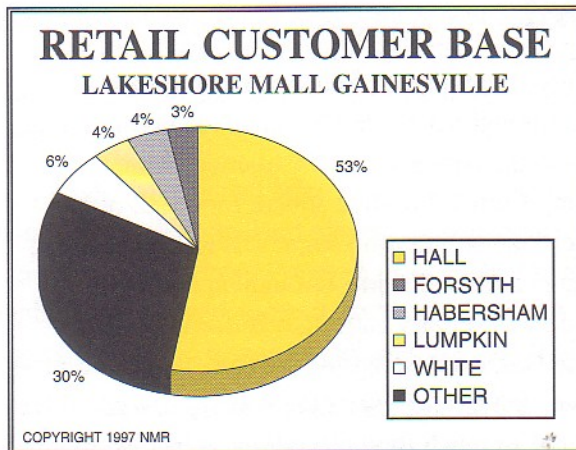
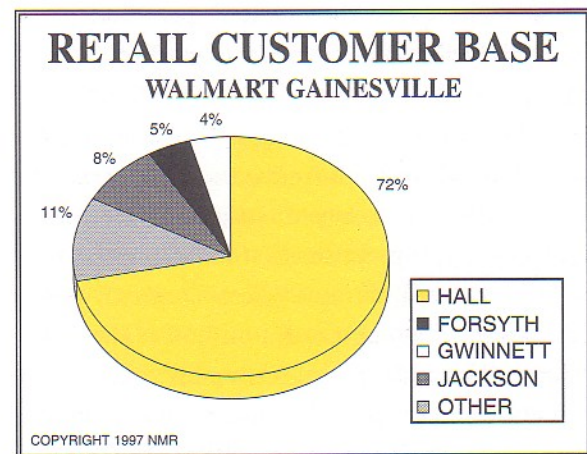
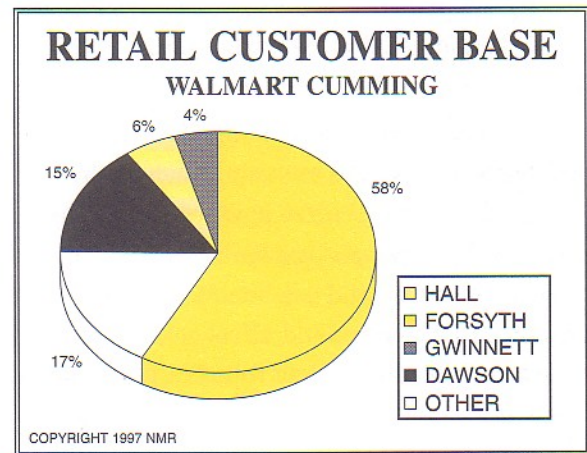
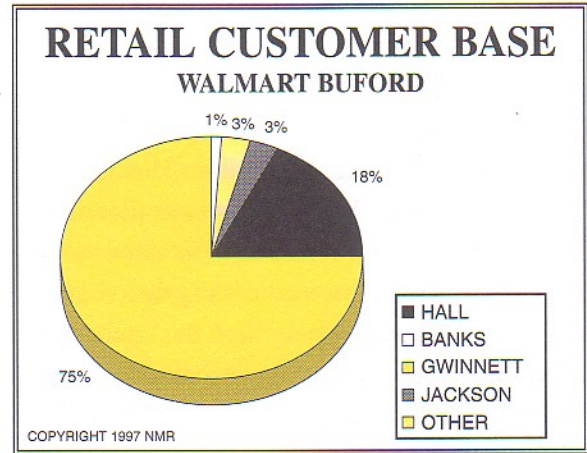
# Market Products

around. With this major name brand growth, we see continued food store shake out...too many chains.

There also is repositioning of the major drugstores, including the consolidation of Revco with CVX and the expansion of Eckerds...this chain is building more free standing stores to become the convenience store of the 2000s.

With shopping now considered entertainment, the Mall of Georgia will be the "Six Flags" of retail. Within its shell, it will incorporate interactive games, restaurants, theaters, performing arts, and recreation, not to mention stores of every imaginable kind. The Mall is also set to differentiate itself from Gwinnett Place or North Point, to become North Atlanta's High Fashion Mall. We have said it before, but it is worth repeating, the Mall's location, access, market mix, and direction is more in line to the Lenox Square, Phipps Plaza, Regional Retail, rather than a traditional mall. A new city will also sprout within the valley surrounding the mall with big box users, hotels, offices, and free standing restaurants of every flavor. The Mall of Georgia will be the single biggest catalyst for development in a ten mile radius.

The immediate impact on the surrounding market in August 1999, when the mall opens its doors, will be labor. This city will employ 6,000 people directly and another 5,000 in surrounding businesses. A death blow to some local businesses competing for the same labor pool.



## INVESTMENTS

Apartments are hot, continuing a three year trend...fueled by low interest rate funding and Real Estate Investment Trusts' appetite for purchase. Prices are at **WILD levels**, in some cases beyond reasonable. The North Georgia apartment market is concentrated in Gainesville, 3,000+/- units, with Oakwood, Buford, and Cumming following. Other minor markets include Commerce, Jefferson, Cornelia, Dahlonega, and Clarkesville. Other than Gainesville, no other community has a great concentration.

There is high demand for units. Current North Georgia apartment vacancy stands at 6% with 683 units coming on line in 1997-98 and another 600+ units planned for late 1998 to 1999. This is almost a 30% increase in the total North Georgia apartment housing base. Caswick on Lanier is currently the "big daddy" of complexes, offering quality units, tremendous views, and a wide array of amenities. It's leasing well...actually better than any locals anticipated, pushing rates and standards upward. They have created untold value for many other apartment owners. Watch them add another 300 units to their base over the next several years. Caswick's visionaries have proven the market can absorb high profile units and copycats will follow...the caveat is that there are few sites like Caswick remaining.

The strongest demand, however, continues to be units renting under \$550 per month (2 bedroom) which is almost impossible to recreate with current construction and land costs. The pressure on vacancy will increase and could approach 8-10% vacancy when all the units deliver. The over supply will be short term, 2-3 years, as the job market expands and the relocation of apartment dwellers out of North Atlanta increases. The availability of zoned and zoneable land could also slow new construction.

Investments will sell in 1998, if they cash flow. We do see a tempering of returns and return expectations. Spring Valley hit the top of the sale market at \$47,000 per unit...you can still buy Atlanta complexes in the \$30-40,000 per unit range. Because of these sales, many owners have delusions of grander. Some will sell at these prices but most owners will just benefit from the rapid rental rate and cash flow increases.

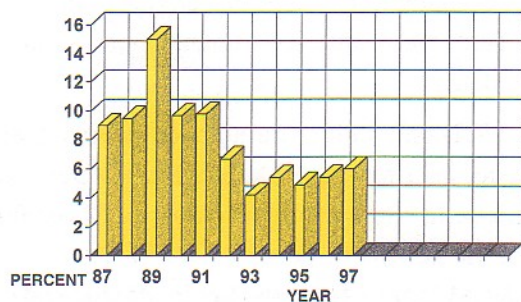
## INDUSTRIAL

The North Georgia industrial market is becoming increasingly fragmented as the competition for prospects and labor intensifies. The Georgia 400 Corridor, Forsyth, Dawson, Lumpkin is transforming from a light industrial to a white collar corridor and the I-85 Corridor has clearly become a blue collar manufacturing, distribution hub. The future of I-985 remains uncertain; the best hope for I-985 lies with the City of Oakwood and Buford. The proposed 2 million gallon sewer project is 20 million too short for the potential of industrial in this region, placing the area at least 15 years behind. Until South Hall has millions of sewer capacity, the land must default to residential.

Jackson County appears to be the future of North Georgia industrial growth. With 2,000,000 square feet of quality industrial space existing, the market is one-eighth the size of the Hall County base and half the size of the Buford/Sugar Hill industrial space. But that space did not exist five years ago. Jackson County is blowing past the other counties. The Jackson County

*(continued on page 8)*

**NORTH GEORGIA  
MULTI-FAMILY VACANCY**

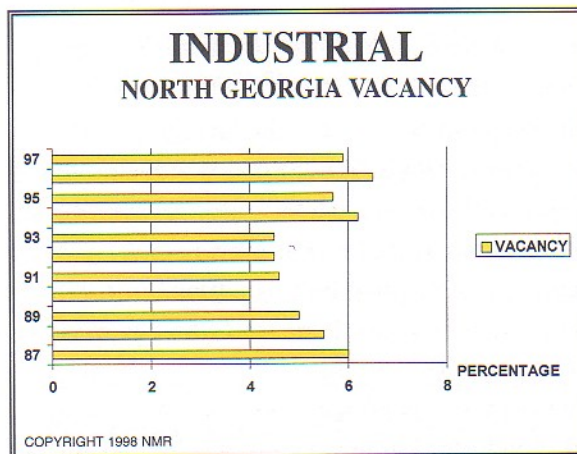
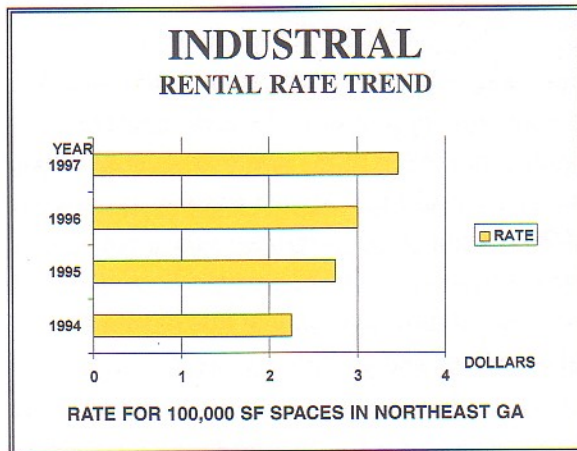


COPYRIGHT NMR 1997



# Market Products

Industrial Authority shows 7,000 acres of industrial property, with utility service, available for development. That's nearly twice as large as Atlanta's largest industrial market, Fulton Industrial. Free Port, available industrial capacity sewer and water, I-85 access and aggressive county leadership, could result in the creation of Atlanta's largest industrial concentration over the next 25 years.



Industrial business activity is also increasing in Gwinnett and Forsyth, with the North Gwinnett Epicenter at Brickton. The Mall of Georgia will result in more business focus on this area of the county. The southern portion of Gwinnett continues to be dominated by big box users. The growth in Forsyth seems to be of a higher tech nature, competing with the Norcross area and this will gradually spill over into Dawson and Lumpkin County. Hall County has had

some difficulty attracting the same volume of prospects. No one specific reason, a blend of reduced or no commissions in public owned parks, lack of free port, limited standing inventory, political leadership, and higher than average raw land costs.

In North Georgia, the strongest demand is in the 1,500 to 4,500 square foot user group, while only the big users, 50,000+, get the headlines. For every large user, there are 100 smaller businesses shifting, expanding, and relocating. Demand for metal buildings is strong but there are few locations willing to accept them. Counties must diversify their product offering so that they can attract a wide array of industrial employees. Standards for construction design and landscaping for metal buildings should be established.

Rates continue to move up, \$3.00 per square foot, and greater. The price movement for space will continue to push the upper limits, as it costs more to build and land values shoot up. Finally, there is growing interest in in-fill industrial structures and development, provided the shell or raw land cost is economical. This would incorporate older industrial areas in Gainesville, Commerce, Cornelia, and Buford.

## RESIDENTIAL

North Georgia is residential driven. From Cleveland to Lawrenceville, from Winder to Dawsonville, North Georgia's growth engine is the people and the homes they occupy. Our future is also dependent on continuing to fuel that engine with affordable land, reasonable government controls, and quality standards.

Residential communities throughout the region are growing faster than Kudzu, with the average three bedroom house in North Georgia selling for \$110,000. The bulk of the new home permits (70%) are for homes under \$125,000. **Our market is affordability.** Because of high land prices, developers and builders are falling all over themselves to gobble up land in a two mile swath up I-85 and I-985. The Mall of Georgia and its resulting employment will accelerate housing

# Market Products

growth. It will move the "Black Hole" perception of Buford/Sugar Hill to "Stellar Nebula" proportions.

Over the last two years, most markets have lost the cheap entry level housing (home prices under \$100,000 with no wheels) and we may start seeing more cluster housing, condos, and town houses as land prices move up. Previously, condos in Hall, Gwinnett, and Forsyth have been non-existent because single family homes were of comparable price. No more. Re-selling houses are having to be price competitive with the newer product...Some owners are discovering that their homes are not worth what they thought...Paper profits disappearing. The outlying markets of Dawson, Lumpkin, Habersham, and Banks are benefiting from the migration of buyers, waiting to escape the rapid commercial districts, but prices are escalating there as well.

## AVERAGE HOME PRICES 4 BEDROOM

Dawson North	\$ 184,250
Dawson South	138,546
Buford/Sugar Hill	166,913
Lawrenceville	159,601
Lake Lanier	279,787
Forsyth North	150,922
South Hall	165,190
Gainesville	191,064
North Hall	200,453
West Hall	179,614
White	143,578
Lumpkin	130,141
Clarksville/Cornelia	147,912
Banks	147,912

Buyers today are seeing two kinds of builders; the custom builder, who builds 5-8 homes per year, in several price ranges, and the production builder who builds 40-100+ homes per year. The latter "tract" builders will become more prevalent in price ranges

under \$250,000 with custom construction in the higher price ranges. North Georgia has already been discovered by Torry Homes, John Weiland, Highland Homes, Bowen & Bowen, Brayson and Traton. Centex, one of the nation's top builders, has reportably contracted for an 1200 acre site in Hall County.

## FHA LOAN LIMITS

Banks	\$ 81,548
Barrow	123,400
Dawson	81,548
Forsyth	145,350
Gwinnett	123,400
Habersham	81,548
Hall	101,935
Jackson	81,548
Lumpkin	81,548
Rabun	81,548
Stephens	81,548
Towns	81,548
Union	81,548
White	81,548

SOURCE: LANIER MORTGAGE/FHA

The new home market is king and will continue as long as the developable land lasts. The shooting up of prices is tempered in part by the FHA low limits, which drives a large segment of the market. Over the last three years, we have seen a change in the market attitude, as people are not buying all the house they can afford. Today's buyer is looking for large open plans, larger closets, and expansion possibilities (unfinished attics, basements). The first time buyers want anything with two baths and a garage for storage. They will sacrifice bedroom size for baths and storage. School districts still play a big part in relocation decisions, with growing emphasis on middle and high school zones, rather than elementary. Most newcomers recognize that there will be portables, but are now focusing on college preparatory curriculum, instructor proficiency, and ancillaries like computers and science labs. The new population is better educated, more urban in thought, than are the natives.



Whether you live in Cleveland or Clarkesville, Dahlonega or Cumming, North Georgia has become a patchwork quilt of semi-urban communities between rolling vistas of forests and farm lands. The Norton Agency's roots grow deep in North Georgia and we see opportunity in the hills of Hollywood and the valleys of Hall. The following communities are focused in our 1998 report.

## HALL COUNTY

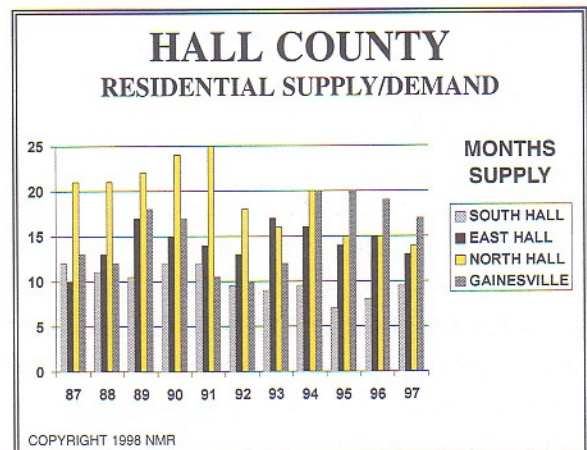
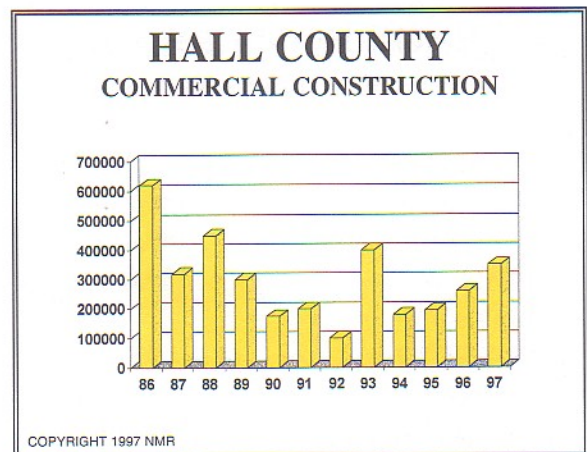
Welcome to North Georgia's bedroom. Strategically sandwiched between the white collar business corridor GA 400 and the industrial driven I-85 corridor, while sitting on top of the nation's fastest growing county, Gwinnett, Hall County, like it or not, has become a bedroom for the business expansion around it. We are the hole of the development donut. This five year transformation can be attributed to:

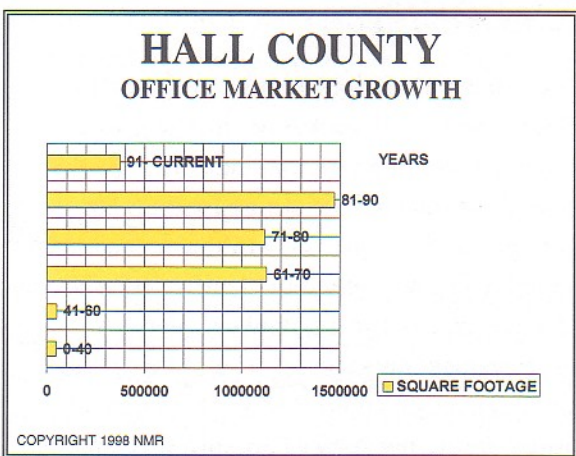
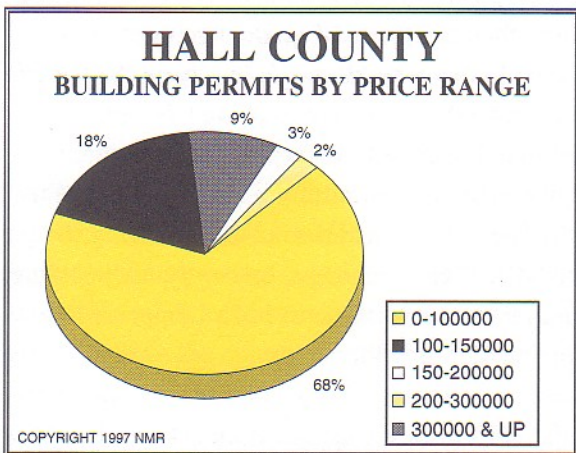
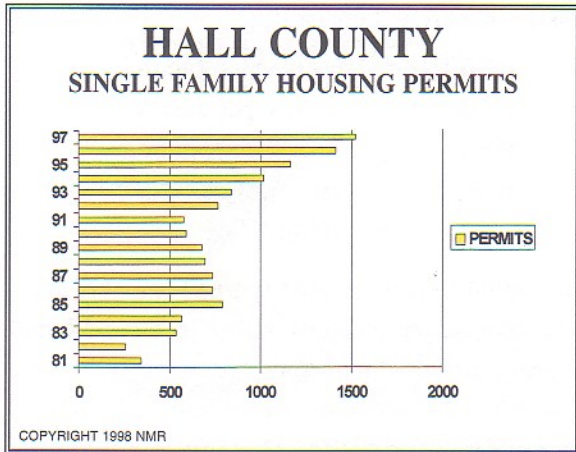
- A lack of commercial or industrial sewer capacity in South Hall, the county's fastest growing sector.
- Limited restrictions on mobile home development combined with affordable land values (In most cases 1/3 that of Gwinnett.)
- Quality stable government and services such as police and fire protection, a good library system, reputable schools, medical services, and a recreational oriented quality of life.

Developers are finding that Hall County is tough for development; hilly, rocky and they flooded all the flat land for Lake Lanier. But, since 1990, 12,200+ new dwellings have been permitted in Hall County and the population has gone from 95,000 in 1990 to 128,102 as of January 1, 1998. That is a 26% increase in seven years. Sixty to seventy percent of those new residents are located south of Chicopee Woods on one

quarter of the county's land mass. While commercial retail development will follow these roof tops, its impact will be limited. Industrial and business expansion can only be expanded with adequate utility infrastructure.

South Hall's tax base hope, however, may rest with an unwelcome intruder — Buford City. This farsighted strong political jurisdiction has made major annexation inroads into Hall County. Their abundant utility resources: water, sewer, gas, and electric could provide the necessary infrastructure to stimulate business growth and help diversify the tax base. This would help Hall County government, but unfortunately since Buford has its own schools, Hall County Schools would be the loser. **Water and sewer capacity is gold.** Hall County's growth has only been a firecracker so far, the dynamite is yet to come.





## DAWSON COUNTY

The North Georgia Outlet Mall continues to fuel interest and speculation in Dawson County. With business expanding further south along GA 400, the county is fast becoming a middle class relocation point. Wise leadership in the City of Dawsonville and Dawson County has created a **pro business** environment. Further retail expansion is foreseen around the new Kroger and the larger Ingles. Watch for motel, apartment, and restaurant development to follow quickly behind. The mall's success story is spreading, so watch for copy-cat malls to be announced within a three year window.

Dawson's population has surpassed the 20,000 mark up from 12,000 in 1990, making it one of the fastest growing counties in the country. Dawson County is changing rapidly. Everyone is a newcomer. This population is wealthy, young and educated, resulting in a political and social transformation, affecting schools, housing, medical, and business. With developments like Gold Creek and the 700 home Chestatee Development, Dawson County will become as cosmopolitan as North Fulton, over the next 10 years. The Norton Agency sees tremendous opportunity in Dawson... The land buys are almost gone now. It is Hard Asset development which will see great returns, as well as residential development in every point of the county.

## LAKE LANIER

With diminishing supply and increasing demand, the future of Lake Lanier homes is the brightest in history. The supply of available houses and quality lots is at rock bottom forcing double digit appreciation in some areas of the lake. Even the bad lots are selling. Those people looking at a \$150,000 lake home investment have found that they are looking at the wrong lake.

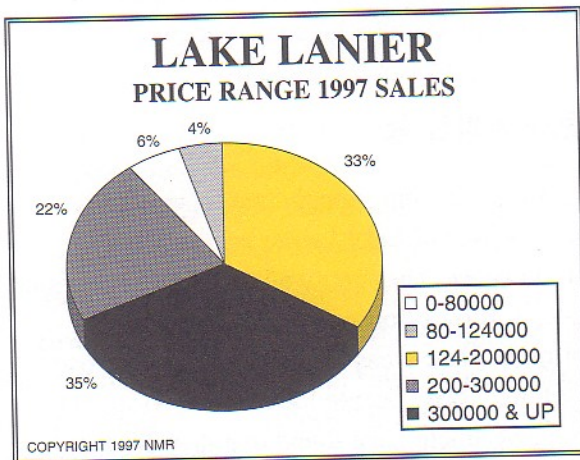
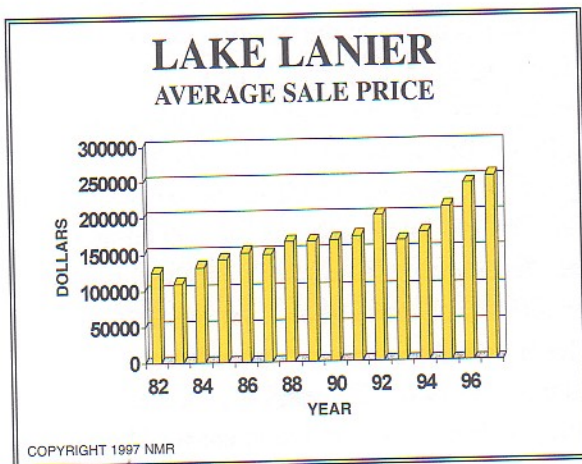
(continued on page 12)

Lake sales were in the doldrums in the early 1990s, resulting from the poor press on water quality, rapid fluctuations of lake levels, the Eastern Airline collapse, and the emergence of developments on Lake Oconee. It wasn't until the development and marketing of Four Seasons on Lanier that the market attitude shifted. For the first time, stratospheric prices were obtained for lake lots and a millionaires' row started to be developed along the shore line. Four Seasons on Lanier has led to success at Point South, The Point, Point West, and now Harbour Point. The political powers around the lake have an opportunity to even out their tax base, by considering the area an *urban enterprise zone*, promoting major residential on the remaining waterfront.

Annual sales price increases:

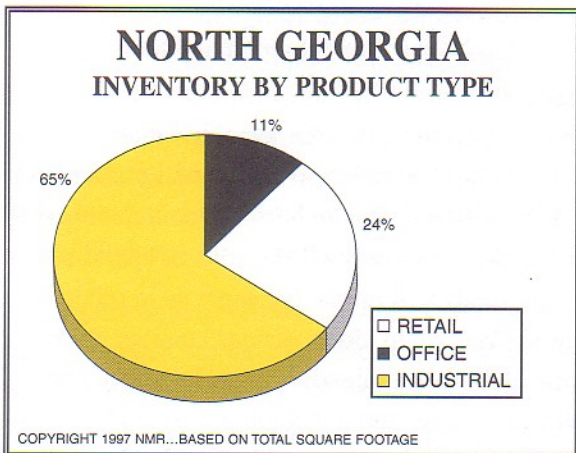
1980-89	6 - 8% per annum
1990-95	4 - 6% per annum
1996-97	8 - 12% per annum
1998-2003	10 - 13% per annum (projected)

With limited remaining quality tracts on the lake, we believe lake property values will soar. The periodic negative press on water quality will not slow the pace. The demand is there, as these buyers want to **LOOK AT THE LAKE, NOT SWIM IN IT.** Watch for more vacation home tear downs, as today's buyer focuses on the lot first, then steepness of grade, length of view, and distance to the water. Lots 750' up from the Corps line are so steep that you have to be an Olympic Sprinter to get home, are over valued. Despite their success, Point South and Point West are enigmas, not standards. The bulk of the lake buyers are trying to hit a \$225 to \$500,000 price range. Inventory is dwindling rapidly and the scarcity value of Lake Lanier will dictate the market growth.



## BANKS COUNTY

We foresee a continued boom in all parts of Banks County and in all market product segments — land, residential, commercial, and industrial. Banks' "Pro-Growth" attitude has set strong footings for lasting job and tax base growth. Affordable, abundant land coupled with low population density and a strong road and water network make Banks County an excellent investment opportunity. The Martin Bridge Road utility expansion could shift the commercial focus further North, but Banks Crossing will continue to be the main commercial center at least for another decade. Watch for an increase in residential activity, as the new high school opens and large acreage holders start subdividing or selling in bulk. With few constraints on growth, Banks' future shines bright.



## STEPHENS COUNTY

Continued slow to moderate growth is in the cards for Stephens County, until they can get their act together for industrial recruitment. With one of the highest unemployment rates in the region and an abundant supply of vacant industrial buildings, one would believe the county would have great opportunity. Unfortunately, the chronic unemployment and the low education and skill levels of the labor pool are not great attractors for today's industrial employer. The two bright spots for Stephens County are CHEAP LAND and a growing interest in Lake Hartwell, as the next second home destination spot.

## RABUN COUNTY

As this county's potential peaked or only just begun? Rabun's property values are 10-20% more than its neighbors and the pace of sales seems to have slowed. The "Snow Bird" flock is now spreading out into other mountain areas. Lake Burton, Seed and Rabun's prices have reached stratospheric or cataclysmic levels. How much is someone willing to pay for a cabin on a leased lot? The wildcard for the area lakes will be the proposed 400 acre golf course development. High priced real estate in a high demand area could sustain the growth.

## HABERSHAM COUNTY

A split personality has been developing in this county - land prices along the new 441 extension, and industrial and commercial activity. Both have seen movement. The new influx of buyers has pushed prices and housing demand upward. Controversially, the prices have reached levels unobtainable by the "locals." Native people cannot afford to buy today's houses. Prices have out priced, out run the demand in the core market. This effect will temper Habersham's growth as they, like other surrounding communities, struggle to house the blue collar workforce that makes the county tick. The big opportunity is in mobile homes and \$80 to \$100,000 stick built housing, not the \$100 to \$150,000 price range that interests builders.

## VACANCY COMPARISON

1997 YEAR END

Product Type	National Average	Atlanta Average	Northeast Georgia
Office	6%	10%	5%
Multi-Family	11%	8%	6%
Retail	N/A	7%	5.7%
Industrial	6.5%	6%	5.9%

Source: Emerging Trends 1997 / NMR

## WHITE COUNTY

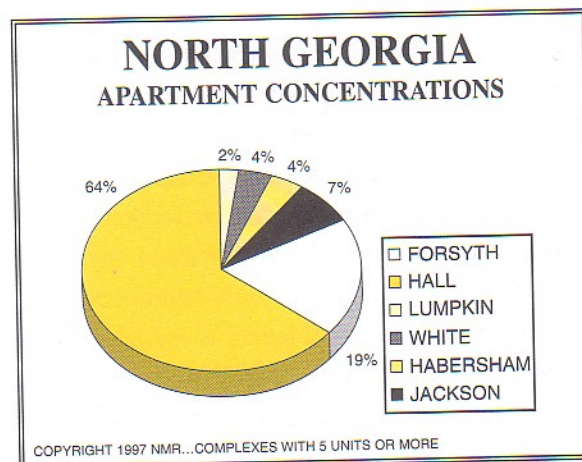
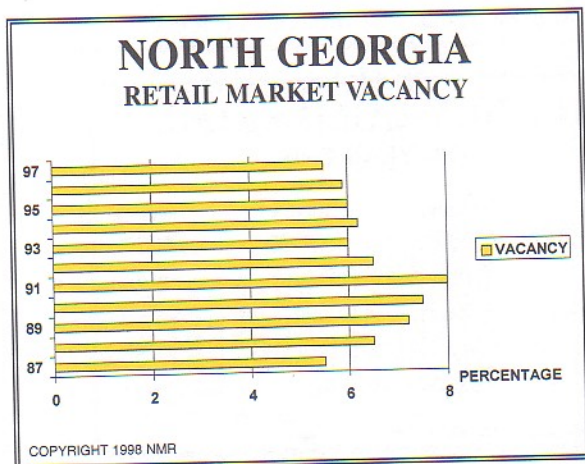
Heavy residential growth is occurring in South White, as Hall County land prices have forced affordable home buyers to the "Land of cheaper land." Stick built homes are popular, but the tidal wave is in mobile homes. A lack of zoning and building controls will hurt White in the long term. Just look at Hall County to discover what not to do. This growth could be a burden on the school system, unlike the 70s and 80s retirement housing growth, which was not. Commercial activity is and will continue to follow the population growth. Watch for a North Hall or South White major food store within the next five years. We

(continued on page 14)

see continued medical center growth, perhaps a new hospital and more support retail. Unfortunately, we also see a stagnant industrial market, as the labor force in White is diluted by opportunities in Lumpkin, Hall, and Habersham.

Helen's proposed Nacoochee project is an ambitious shot in the arm to that town, whose time may have peaked. Certainly, the outlet centers have taken a hit from the parallel success of the centers in Banks and Dawson County. A retailer will not operate three discount stores within forty miles of each other. Helen needs deep reflection to move off its current business plateau and support the proposed development with all guns loaded.

The investment market in Lumpkin will be in development potential, residential tracts, to hold. Historically, the riverfront and mountain view properties have commanded the most attention. While this will continue, the ability to build quality affordable housing for the North Atlanta business community will create the highest return. Several words of caution though: Lot yields will not be the same as in other areas due to flood plain along various streams, rock out-croppings in the highlands will make utility line placement expensive, and a lack of control and standards for mobile homes, could affect land values and taint the views and vistas of the affluent buyers. All in all, we rate Lumpkin high on our investment list.



## LUMPKIN COUNTY

poised for accelerated growth over the next five years, Lumpkin County is in the direct line of fire. The dynamics of the 400 Corridor growth will have a lasting effect on Lumpkin County and land values. In the not too distant future, this county will be considered "close in" and "highly accessible." We liken the growth to the maturation process of North Fulton. First rural agriculture, then aristocratic farms, then upscale residential, finally business and industry. The growth projected will be dominated by homes priced \$125 - 200,000, followed by support retail, and intermitted industry. The stronger business sectors will be located further South on 400.

## GWINNETT COUNTY

Our focus and business concentration for 15 years has been on North Gwinnett, Lawrenceville, Duluth, Suwanee, Buford, Sugar Hill, and Dacula. This region has found its own niche as the residential migration and subdivision proliferation has reached every corner. The native Gwinnett residents have some worries about the impact of the Mall of Georgia and rightly so. There is currently a lot of hype built into land and home prices because of the Mall factor. We call it California Dreaming or Gwinnett County Hallucinations. Homes aren't worth 35% more because of the Mall. They did blip up, but raw land is the segment that benefited from the Mall announcement.

The Mall effect puts Buford, Sugar Hill on the map for residential but also as a major retail alternative. Rather than located adjacent to the mall, on land \$15 to \$20.00 per square foot, they can go a mile west and pay \$8 to 15.00 per square foot. We see a solid band of retail from I-85 to Suwanee Dam Road, along Highway 20, over the next five years.

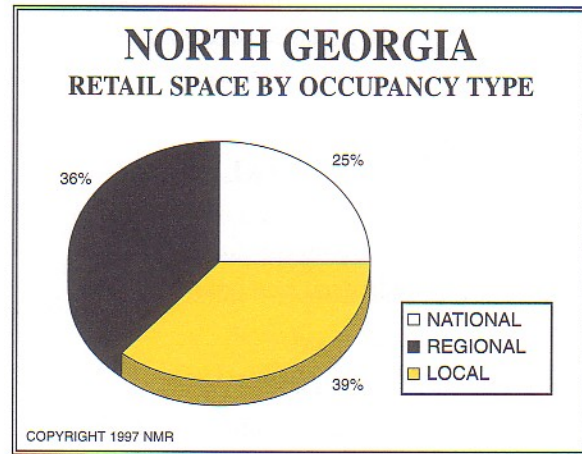
Residential developers, builders, and buyers recognize that we have run out of affordable land for moderate price homes. The new movement is toward Walton County, east of Lawrenceville, as it is the last area of the county for expansion. There are still many requests for land by new arriving developers (40-50 acres) but the supply is almost non-existent. Gwinnett County will continue to see strong growth, the geometric curve is softening, but the county will primarily become a relocation source, not point, as Gwinnett residents look toward Loganville, Barrow, Jackson, and parts north to escape the urbanization.

## JACKSON COUNTY

This area continues to be the shining star of North Georgia development and investment...an exploding industrial base, a strong retail base and land cheap enough for affordable housing. Investors, developers, and state government are all focusing their attention on Jackson County. Its strategic position is the key to its vibrancy. Equidistant between the BMW Plant in Spartanburg and the Mercedes Plant in Montgomery, it offers an industrial parts manufacturer access to both. The land is affordable and with adequate sewer service from several municipalities — Braselton, Jefferson, and Commerce. The market also draws from a large potential labor pool; Clarke, Hall, Habersham, Banks, Barrow, and Gwinnett. Jackson's industrial focus follows historical migration of the Atlanta industrial base, from a core concentration in Decatur through Gwinnett, into Jackson County.

Jackson is also considered the next new frontier for Atlanta new homes. Interest from Atlanta developers and builders is intensifying as the industrial market

expands. The general Atlanta view is that Jackson County is on the horizon as the next big growth market, with the same potential as Cherokee County or Gwinnett County 30 years ago...time will tell if this can be fulfilled.



## FORSYTH COUNTY

The growth and development in this county has been phenomenal over the last 15 years and despite occasional moratoriums and struggles, the county leadership has set the region on a solid foundation. Their unique geographic position has accelerated their tax base and now stable employment is discovering the community. We look for continued high income housing growth with large developments, such as Grand Cascades and Olde Atlanta Club spreading to all parts of the county. Total building permits will inch closer to 4,000 per year, as the county becomes the fastest growing area in the state.

The next wave of development is sure to be corporate headquarters and operations center relocations. Strategic ownerships along GA 400, will capture these over the next five to seven years...businesses relocate near their executive labor force. The retail explosion along Highway 20 and GA 400 will continue with restaurants, banks, and big box users following Kmart, WalMart, and Home Depot. Forsyth County has become a strong urban market, solid middle class and can only suffer from too much success.



## **A 7 YEAR MARKET FORECAST**

### **GWINNETT**

A crowded community linked by one gigantic parking lot — Interstate System.

### **HALL**

A bedroom community, serving the surrounding industrial and business base.

### **FORSYTH**

An affluent, clubby community, with a growing corporate office base.

### **JACKSON**

North Georgia's dominant industrial base with first time home buyers, subdivisions, and blue collar employment.

### **BARROW**

An amalgamation of housing product types and selective industrial.

### **WALTON**

Estate homes and gentleman farms, with limited commercial.

### **DAWSON**

A vibrant, affluent housing market with a retail epicenter at GA 53/400.

### **LUMPKIN**

An emerging first time home market with a strong base of aristocratic farms.